

~~CONFIDENTIAL~~ *125-54*
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15 March 1954

MEMORANDUM FOR: Project Review Committee

THROUGH : Deputy Director/Intelligence

SUBJECT : Extension of Personal Service Contract with []

REFERENCES : (a) Approved External Research Project with Bureau
of Labor Statistics, 18 June 1953

(b) Personal Service Contract with []
[] 17 September 1953

1. The Problem:

To estimate manpower input requirements for United States industries in support of current ORR research.

2. Facts Bearing on the Problem:

a. A primary responsibility of the Office of Research and Reports (ORR) is to provide estimates of the economic capabilities of foreign powers.

b. A detailed knowledge of the structure of an economy is a necessary requisite to preparation of economic estimates.

c. The labor input component has not yet been analyzed.

d. [] has been under personal service contract to ORR since 17 September 1953 (contract terminates 16 March 1954), to perform highly technical analysis in converting US material input information into a form useful to ORR.

e. The labor input component was not contracted for in the initial contract.

f. [] has surveyed the problem of labor inputs and has reported out a feasible project (See Tab A) to develop estimates of the manpower inputs in the US industries in a form which can be adapted to the analysis and evaluation of labor inputs into the industries of the Soviet Bloc.

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3. Discussion:

a. An analytical description of the industrial cost structure of which labor costs constitute 40 to 90 percent of the total (averaging over 60 percent), is of fundamental importance to an analysis of the industrial cost structure of the Soviet Bloc.

b. ORR does not now have manpower input information in sufficient detail to support the structural studies of the Soviet and Soviet Bloc economies. The currently available manpower data broken down by economic ministry and other administrative units is too gross to allow identification of labor inputs with industrial outputs.

c. Isolated studies have been undertaken to develop labor inputs for specific industries and these studies have almost always used analogous US information to supplement the analysis.

d. Execution of the proposed research project (See Tab A) would explicit the meticulous US data on a detailed systematic basis. This research would reorient US data so as to avoid many of the difficulties inherent in US statistics; these are difficulties which obscure or prevent the use of US manpower data in the analysis of foreign economies.

e. Briefly stated the proposed research will provide US information in such form that an attack may be made on the most basic economic problem, viz. the man-hour input per physical unit of production and the man-hour input per value unit of production.

f. ORR has funds available in its current allotment to defray the cost of this project.

4. Conclusion:

Although it is unlikely that the labor cost of US industries is coincident with that of the Soviet Bloc, the development of the US data in such form that it may be useful in the analysis of the industries of the Soviet Union and Soviet Bloc will provide a necessary frame of reference into which ORR can fit Soviet information to produce intelligence on the industrial structure of the Soviet Union and the Soviet Bloc.

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5. Recommendation:

That ORR be authorized to extend its personal service contract with [redacted] for a period of six months to produce the research outlined above.

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[redacted]
OTTO E. GUTHE
Assistant Director
Research and Reports

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CONCURRENCE:

[redacted]
AD/IC

15 March 54
Date

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APPROVED: *

[redacted]
DD/I

MAR 15 1954
Date

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* Funds are available from current allocations to O/RR.
Office of Comptroller has been advised accordingly.